



Meeting the Housing Needs of Redmond, Oregon **Suggestions for Providing Affordable Housing**

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Steve Rzonca - *President, Eagle Mountain Construction*

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About SCI

The Sustainable Cities Initiative (SCI) is a cross-disciplinary organization at the University of Oregon that promotes education, service, public outreach, and research on the design and development of sustainable cities. We are redefining higher education for the public good and catalyzing community change toward sustainability. Our work addresses sustainability at multiple scales and emerges from the conviction that creating the sustainable city cannot happen within any single discipline. SCI is grounded in cross-disciplinary engagement as the key strategy for improving community sustainability. Our work connects student energy, faculty experience, and community needs to produce innovative, tangible solutions for the creation of a sustainable society.

About SCYP

The Sustainable City Year Program (SCYP) is a year-long partnership between SCI and one city in Oregon, in which students and faculty in courses from across the university collaborate with the partner city on sustainability and livability projects. SCYP faculty and students work in collaboration with staff from the partner city through a variety of studio projects and service-learning courses to provide students with real-world projects to investigate. Students bring energy, enthusiasm, and innovative approaches to difficult, persistent problems. SCYP's primary value derives from collaborations resulting in on-the-ground impact and expanded conversations for a community ready to transition to a more sustainable and livable future.

SCI Directors and Staff

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About Redmond, Oregon

Redmond, located in Deschutes County on the eastern side of Oregon's Cascade Range, has a population of 27,427 and is one of Oregon's fastest growing cities. The City's administration consists of an elected mayor and city council who appoint a City Manager. A number of Citizen Advisory Groups advise the City Manager, mayor, and city council.

From its inception, Redmond has had its eyes set firmly on the future. Redmond was initially founded in 1905 in anticipation of a canal irrigation project and proposed railway line. Redmond is on the western side of the High Desert Plateau and on the eastern edge of the Cascade mountain range. Redmond lies in the geographic heart of Oregon. Redmond focuses on its natural beauty, reveling in the outdoor recreational opportunities (camping, hiking, skiing) offered by the Cascade mountain range, four seasons climate, and 300+ days of sunshine annually.

Redmond has been focused on innovative, sustainable growth and revitalization while preserving the city's unique history and culture. In 1995, the City of Redmond began to make critical investments in revitalizing its downtown core. The initial phase of renovations strove to balance growth, livability and historic preservation by rerouting Oregon State Highway 97, improving critical infrastructure, and improving the facades of over 100 buildings in the historic center. The City of Redmond has worked with local businesses to revitalize retail, job creation and housing. To facilitate private sector buy-in, Redmond offers innovative incentive programs such as the Façade Rehabilitation and Reimbursement Grant and the "Downtown Jumpstart" loan competition, as well as Design Assistance.

Often referred to as "The Hub" of Central Oregon, Redmond is situated at the crossroads of US Highway 97 and US Highway 126. It is served by the Burlington Northern Santa Fe Railway, Cascades East Transit Regional Public Transportation Service, as well as a state of the art regional airport served by multiple commercial airlines and FedEx and UPS. In addition to its geographic location, Redmond is viewed as central to business growth in the region. In 2014, Central Oregon Community College opened a 34,300 square foot Technology Education Center to recruit new businesses and expand existing businesses in Central Oregon. Above all, Redmond prides itself on being a family-friendly city which was the motivation for the work presented in this report.



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This report represents original student work and recommendations prepared by students in the University of Oregon's Sustainable City Year Program for the City of Redmond. Text and images contained in this report may not be used without permission from the University of Oregon.

Executive Summary

Due to substantial growth in population over the past decade, the City of Redmond has been struggling to adequately meet housing demand in their city. Additionally, this tight housing market has increased the cost of the existing housing stock, pricing many low-income or minority groups out of the city. The City of Redmond recognized this problem and in 2006 the city council named housing affordability its top priority. The city council commissioned a study of its affordable housing that resulted in the adoption of the 2007 Affordable Housing Plan (Laura Fritz and Associates, 2007). The Affordable Housing Plan included an assessment of the existing housing options in Redmond, as well as goals, objectives, and strategies that could be used to encourage the preservation and creation of affordable housing.

Although Redmond's Affordable Housing Plan is comprehensive and fairly detailed, it was drafted before the housing market crash and resulting 2008-2010 recession, and is now relatively out of date. To serve as an update to the Affordable Housing Plan and to identify affordable housing policies, the City of Redmond collaborated with students and faculty of the University of Oregon's Housing Policy class to research the city's housing climate as part of the Sustainable City Year Program. The class, taught by Dr. Ren Thomas, was tasked with identifying barriers to affordable housing within Redmond and the surrounding area, as well as suggesting policy changes to address these barriers. Students in this class split into two groups to approach this project: Group 1 conducted outreach to stakeholders in the form of interviews to gain a qualitative understanding of affordable housing within Redmond and Group 2 performed an analysis of current and potential best practice housing related policies.

Group 1 conducted 13 interviews of housing stakeholders, including two government officials, six non-profit organization presidents or executive directors, and five developers located in Redmond or Central Oregon. The purpose of these interviews was to explore themes surrounding affordable housing in Redmond. Based on interview results, students identified five affordable housing objectives for the City of Redmond:

1. Increase and Diversify Housing Stock
2. Address Stigmas Against Affordable Housing
3. Move Toward Regional Solutions
4. Increase Public Participation
5. Build Collaboration

After Group 1 identified these five housing objectives, Group 2 analyzed Redmond's current housing policies to determine if they meet the city's needs.

Additionally, the group conducted case study research to find affordable housing best practices from across Oregon and the country. These policy recommendations are divided into short-term strategies (five- to ten-year implementation), long-term strategies (10- to 15-year implementation), and other strategies. The policy recommendations within this report are explicitly organized to correlate to one or more of the five affordable housing objectives in order to better ensure that Redmond has options to address the issue of affordable housing.

Introduction

The City of Redmond has grown rapidly over the last decade. Redmond's population nearly doubled between 2000 and 2013, growing from 13,481 people in the 2000 U.S. Census, to 26,583 in the 2009-2013 American Community Survey (a growth rate of 97%).¹ This new population is largely a result of regional in-migration; over 90% of these new households came from outside the city (Reid, 2012). Additionally, projections expect to see the population increase to 40,000 people over the next 20 years (EcoNorthwest, 2005; PSU, 2015). Because of this massive influx of people to the area, Redmond has and will continue to see dramatic shifts in its housing market. These changes predominantly manifest in soaring home prices and rents.

From 2003 to 2007, housing prices in Redmond grew approximately 72% while incomes increased by only 8.5%, putting home purchasing largely out of reach for those making the median income. In fact, a 2003 study conducted for the city found that over 30% of all households were cost-burdened, meaning that they spend over a third of their income on housing (Rees Consulting, Inc., 2003). Redmond's economic conditions were further imperiled during the housing crisis; Redmond had the highest per capita foreclosure rate in the state, and housing and homelessness became emergency issues (Laura Fritz and Associates, 2007). In response to this, the Redmond City Council declared housing affordability its top priority in 2006, and began the process of putting together an Affordable Housing Plan (AHP). The AHP, finalized in 2007, includes an assessment of the existing housing options in Redmond, as well as goals, objectives, and strategies that can be used to encourage the preservation and creation of affordable housing. Four objectives of the AHP were:

1. The creation and preservation of affordable rental options;
2. The promotion of affordable homeownership opportunities;
3. The promotion of development of senior housing; and

¹ http://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml

4. Supporting regional affordable housing efforts.

Although Redmond's AHP is comprehensive and fairly detailed, it was drafted before the housing market crash and resulting recession from 2008 to 2010 and is now relatively out of date. Furthermore, the current AHP suffers from having been drafted before a detailed housing study that the city contracted from Johnson Reid Associates in 2013. This detailed report analyzed the demographic and housing makeup of Redmond, including information on demographics, income, growth projections, and public housing considerations. Key findings included:

- 20% of new population growth were Hispanic households;
- Less than 20% of Redmond residents commute outside the city for work;
- Safety and affordability were important considerations when looking for a new home;
- There is a significant preference for homeownership amongst residents; and
- Residents expressed need for better property management, low-density development, improved city maintenance, and more options for seniors.

With this context in mind and recognizing the area's need for more affordable housing options, the City of Redmond staff collaborated with students and faculty in the University of Oregon Housing Policy Class to identify opportunities in policy reform or outreach and education to better meet this need. Students in this class split into two groups to approach this project: Group 1 conducted outreach to stakeholders in the form of interviews to gain a qualitative understanding of affordable housing within Redmond and Group 2 performed an analysis of current and potential best practice housing-related policies. Detailed methodologies are outlined below.

Methodologies

Group 1: Interviews

Students in Group 1 conducted 13 interviews with local stakeholders in the Redmond Community. Table 1 lists the stakeholders with which students conducted interviews. Before the interviews began, Heather Richards, Redmond Community Development Director, suggested 10 stakeholders to interview; students identified the other five. The purpose of these interviews was to explore themes surrounding affordable housing in Redmond. The stakeholders were representatives from varying sectors in the Central Oregon region — developers, non-profit employees, and city officials. Two of the city's contacts were not

available for interviews. Interviewees included five developers, six non-profit organizations and two government officials.

Table 1: Stakeholder Interviews - Interviewees

Name	Organization	Title	Org Type
Nancy Kapp	Renaissance Development	President CEO	Developer
Daryn Murphy	Commonwealth Development	VP Development NW Region	Developer
Steve Rzonca	Eagle Mountain Construction	President	Developer
John Gilbert	Pacific Crest Affordable Housing	Principal	Developer
Andy High	Central Oregon Builders Association	Senior Vice President, Government Affairs	Non-Profit/Developer
Tom Kemper	Housing Works	Executive Director	Non-Profit
Scott Brown	Habitat for Humanity	Director	Non-Profit
Stephanie Alvstad	J Bar J Youth Services	Executive Director	Non-Profit
Laura Handy	Heart of Oregon Corps/YouthBuild	Executive Director	Non-Profit
Jeff Rickman	St. Vincent de Paul	Director of Social Services	Non-Profit
Kathy Skidmore	Central Oregon Veterans' Outreach	SSVF Program Manager	Non-Profit
Scott Edelman	Department of Land Conservation and Development	Regional Representative	Government
Kenny LaPoint	State of Oregon Housing and Community Services	Public Affairs	Government

Interviews began on February 5th, 2016 and ended on March 9th, 2016. The interviews were held either by phone or e-mail. Students provided each stakeholder with nine general questions (see Appendix C for list of interview questions). With each stakeholder interview, students were conscious of tailoring additional questions to suit their particular perspective. For example, a non-profit staff member may have a differing view of the incentives and barriers to Redmond's affordable housing than a developer might, and so follow-up questions differed for each stakeholder.

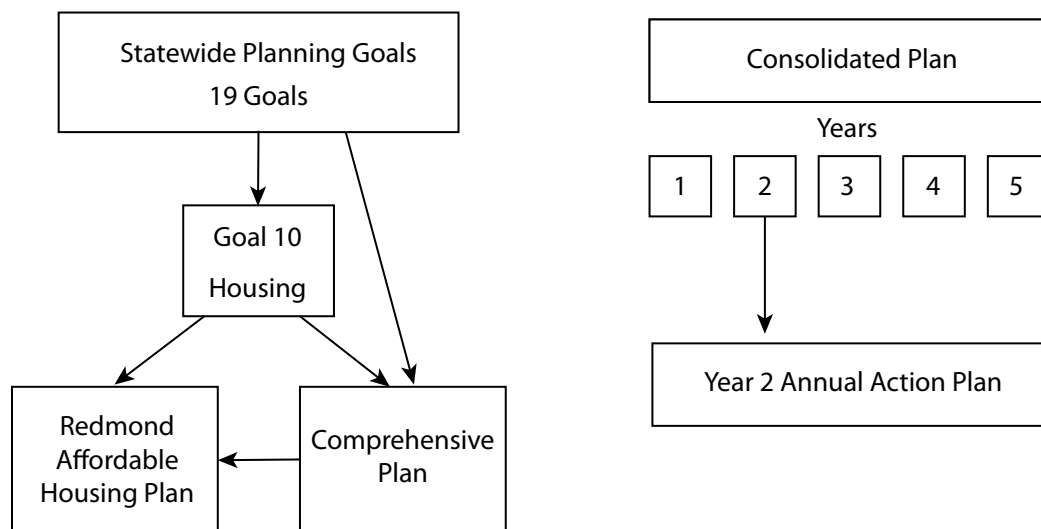
While conducting the interviews, students were intentional to present and use data transparently and treat individuals respectfully. In order to be respectful of stakeholders' busy schedules, students offered the choice of interviews conducted over the phone or via email. Most importantly, the team was respectful of the fact that the stakeholders came from different contexts, careers, and motivations, thus creating a richer atmosphere for varied (and potentially contradicting) opinions. Students treated all information received as valuable contributions to the overall picture of affordable housing in Redmond.

It is important to note that with only 13 total interviews, Group 1 team did not have enough data to use statistics or extract generalizations from the responses. Instead, the team found that multiple themes emerged on what affordable housing in Redmond currently looks like, and what it should look like. In other words, multiple themes emerged. With this in mind, the team chose to present the data in aggregate. This protects the anonymity of stakeholders and their perspectives, and emphasizes the reality that with such a small sample size, the group was not able to pull any true conclusive results. No one stakeholder had the "right" story.

Group 2: Policy Analysis

Group 2 began this project by thoroughly reading the Redmond Affordable Housing Plan. This helped students gain an in-depth understanding of the ways in which Redmond was addressing and hoping to improve affordable housing in the city. Students also examined Oregon's Statewide Planning Goals and the city's Comprehensive Plan, Consolidated Plan, and Annual Action Plan to understand how each plan works with Redmond's Affordable Housing Plan. The group created a diagram (see Image 1, below) to explain the interconnectedness of all five of these plans.

Image 1: Redmond Housing Diagram



Group 2 initially focused research on the tools, programs, and mechanisms featured in the appendix of the Redmond Affordable Housing Plan. Students grouped the tools into four categories:

1. Funding mechanisms
2. Development incentives
3. Zoning and policy, and
4. Programming

Further research into the city's Comprehensive Plan and Development Code helped to determine if the city was already utilizing the tool. If the City of Redmond is not already using a particular affordable housing tool, the project team provided a brief summary of the tool and its implications. If the city was already using the tool, no further research was conducted. Students compiled the research into a table (see Appendix A) to be used as the basis for further research into innovative tools that the City of Redmond could add to their existing framework.

Each team member championed three to five tools and conducted case study research to find jurisdictions currently implementing the specific tool. Team members looked for cities similar to Redmond throughout Oregon and across the U.S. who had successfully implemented each tool. This research gave students the context to understand how and why Redmond could implement each tool. Simultaneous to this process, the team researched ways in which the City of Redmond was already addressing the issue of affordable housing to determine their effectiveness. The group reached out to Redmond staff for feedback on how well they believed the current strategies were working and ways in which they were hoping to improve them. This gave the group insight into which tools to focus on.

After receiving feedback, Group 2 eliminated those strategies which are available through the conditional use permit process or were not politically and financially feasible in Redmond. The remaining strategies were split into two categories, short-term and long-term. The short-term strategies consist of a change to the definition of a Dwelling Unit, gap financing programs, System Development Charge (SDC) Waivers, and an Affordable Housing Trust Fund. The long term strategies include changes to the Consolidated Plan, developer education and outreach, a housing dispersal policy, ensuring the use of clear and objective standards for permit approval, developing an Affordable Housing Advisory Committee, implementing inclusionary zoning, and pursuing an employer-assisted housing program.

Stakeholder Interviews

Overall, 13 stakeholders were interviewed, including two government officials, six non-profit organization presidents or executive directors, and five developers located in Redmond or Central Oregon. Although all respondents interviewed were given the same questions, some chose not to respond to questions. For the purpose of consistency, those responses were not included in these results.

All interview responses have been aggregated and separated into two categories:

1. Responses that identify barriers to affordable housing; and
2. Responses that identify possible solutions.

Each category contains themes that emerged from general consensus about particular topics, which are listed below. Although most questions were open-ended to allow for individual input, some questions asked respondents for a direct 'yes' or 'no' answer.

Barriers to Affordable Housing

Nearly all stakeholders indicated that affordable housing was an issue in Redmond. Following are some other themes that emerged from the interviews.

Hidden Homelessness: A challenge that Redmond faces as it works to increase the quality of life for all residents is what stakeholders identified as “hidden homelessness.” Hidden homeless is the idea that homelessness exists in Redmond without being publicly visible and without being openly addressed by the community. The number of people who experience homelessness has been growing in recent years, but it has been difficult for the city to quantify the actual number of people in need of services or shelter. Even though the Central Oregon School District counted more than 500 school children experiencing homelessness in the 2014-2015 school year, the City of Redmond currently does not have any permanent shelter space or transitional housing or services directed towards homeless seniors and youth.²

Homelessness in Redmond was often characterized by type, which includes Bureau of Land Management encampments, illegally parked RVs, youth that “couch surf,” families that live in their vehicles, and veterans. A few stakeholders noted that, although there are a few resources for homeless youth in Redmond, the number of homeless youth is surprisingly high when compared to regional and state trends.

Marginalized Classes: Ten stakeholders noted that there are certain groups of people in Redmond that are at risk of being marginalized or discriminated

² <http://www.bendbulletin.com/localstate/3562076-151/number-of-homeless-students-in-central-oregon-up#>

against in the housing market, but identifying which type of group varied widely between individuals. Two stakeholders did not think that Redmond had marginalized groups beyond the working poor, which is more a national trend and not necessarily endemic to Redmond. Groups that were mentioned included:

- The working poor, which are at risk for being evicted due to high rents charged by landlords in Central Oregon and who suffer from predatory rate hikes
- The Latino/Hispanic community, which make up a significant proportion of the population in Redmond
- Youth, especially lesbian/gay/bisexual/transgender (LGBT) youth, who often have a higher likelihood of being homeless and are associated with mental health or drug-related issues, whether present or not
- People with mental illness or disability, which are seen as a risk group by many landlords
- People with physical disabilities, who often have difficulty finding Americans with Disabilities Act (ADA)-accessible housing
- Veterans, who may or may not have issues related to physical or mental disabilities, are seen as a high-risk group by landlords
- The elderly, who often live in low-income neighborhoods and may have difficulty keeping up with home repairs or modifications that accommodate the aging process

Stigmas Thrive: Many stakeholders agreed that stigmas around the idea of affordable housing exist in Redmond. The stigmas are often more noticeable by community members when affordable housing projects are being proposed, but two stakeholders noted that stigmas might also be present within city government itself, which adds to the idea that affordable housing is somehow for lesser classes of society and does not add value to communities.

NIMBYism: NIMBY is an acronym for “Not in My Backyard,” and characterizes the response neighbors may have when they oppose new development nearby. NIMBYism is difficult to overcome because while much of the concern surrounding the development of affordable housing simply stems from fear and misunderstanding, some concerns can be legitimate. Residents may be concerned that if affordable housing is built near their homes, it will drive their property values down. Neighbors may also buy into the stigma-ridden dialogue that clouds society’s view of who lives in affordable housing. Stakeholders also identified a stigma behind affordable housing as presenting a barrier to new development. Some residents feel that low-income housing may increase crime rates or negatively impact the existing character or dynamics of the neighborhood. Much of this stigma may, at its root, be the manifestation of fear and a lack of understanding of who lives in affordable housing.

Possible Solutions

Incentives: Profit margins may be lower for developers building affordable housing, so to encourage development of non-market rate housing, local governments can take steps to incentivize this type of development. Updating the development code, removing SDCs, and land pricing subsidies were mentioned as possible incentives that could create more affordable housing. Rolling back land supply and moving costs of infrastructure to the back end of the development process may also increase multi-family housing stock. Although the city was frequently credited as having great incentives that encourage downtown development, suggestions were made to apply the same programs to more rural and residential areas on the outskirts of town. While two stakeholders thought that inclusionary zoning would not incentivize affordable housing, several others thought it could create more opportunities.

Funding: Various stakeholders stated that gap financing, a construction excise tax, and a revolving loan or affordable housing fund were tools that could increase the amount of available funding in Redmond. One stakeholder noted that most funding options focus solely on rental housing, so having programs in place for homeowners, such as reducing mortgage payments, may be beneficial.

Collaboration & Public Participation: Many stakeholders had different ideas about what collaboration and public participation can look like for Redmond. Stakeholders thought that more collaboration with regional groups (developers, policy working groups, neighboring cities, community members) could advance efforts on the affordable housing front and garner more support (financial and administrative) for housing projects. The Portland Development Commission, the Homeless Leadership Commission, and Housing Works were given as examples of organizations that have developed strong regional partnerships. Stakeholders suggested that more needed to be done within city government to build regional partnerships, such as creating an Affordable Housing Committee separate from the existing Housing Committee or having more city representation in regional working groups in housing policy forums. One stakeholder thought that the city needed to be more proactive in creating partnerships and that the planning commission approach to affordable housing might be strengthened by looking at how other commissions are addressing the issue.

A number of stakeholders also thought that the city has done an inadequate job of encouraging public participation and public access to housing projects or programs. The way some public processes are structured, such as having a public meeting in the afternoon, may create barriers to participation from community members that are most vulnerable to affordable housing issues. Some stakeholders suggested that the city could improve efforts by changing meeting times to accommodate working families, provide daycare or transportation options to improve attendance, or increase public feedback by

providing incentives for public comment or ways in which participation could happen outside of meeting halls (e.g. surveys located at public hotspots).

Stakeholders also advocated for increased public education/awareness, which could encourage participation, provide more access to affordable housing programs, and decrease stigmas. Stakeholders were concerned that the way in which housing information is presented, either in an affordable housing plan or a public meeting, prevents people of varying education levels from participation. Lack of advertising for housing events, programs, and tools was also a concern.

Affordable Housing Objectives

Based on interview results, students identified five affordable housing objectives for the City of Redmond:

1. Increase and Diversify Housing Stock
2. Address Stigmas Against Affordable Housing
3. Move Toward Regional Solutions
4. Increase Public Participation
5. Build Collaboration

1. Increase and Diversify Housing Stock

Interviewees emphasized that Redmond has a shortage of needed housing, including a variety of housing types. Stakeholders also mentioned that the Redmond Development Code places constraints on developers and there is a high cost to developing affordable housing.

Almost every stakeholder that Group 1 interviewed described the rental market in Redmond as difficult to break into and also detailed similar constraints to finding mutually beneficial solutions. Based on these remarks, the team recommends that the City of Redmond implement policies to increase the amount and variety of housing stock available. Further research into potential policy changes will be discussed later in this report.

2. Address Stigma Against Affordable Housing

Many of the stakeholders interviewed stated that there was discrimination against certain marginalized groups and those who live in affordable housing units. Part of minimizing the stigma against affordable housing is to make it a more prominent and visible part of neighborhoods. Those who live in affordable housing are often “othered,” especially if they live in a more homogenous neighborhood. Approaches to mitigating this stigma include promoting mixed-income neighborhoods, education and outreach, collective action to overcome opposition, and the use of objective criteria.

- **Mixed-income Neighborhoods:** Historically, affordable housing developments have been concentrated in certain areas which can lead to economic and/or racial segregation, called R/ECAPS (Racially or Ethnically concentrated areas of poverty). This concentrated poverty can lead to “diminished life chances for children and adults” (Bertumen, Levy, McDade 16). By using policies that encourage a mix of housing, Redmond can prevent or mitigate economic segregation. This can include incentivizing the development of mixed-income communities, allowing for multi-family development in lower-density areas, and the use of housing choice vouchers.
- **Education and Outreach:** Several stakeholders expressed the need to educate decision makers, staff, the public, developers, and property owners about what affordable housing is. This could occur through education-based resources like training and workshops on affordable housing management and provision. For example, one of the stakeholders mentioned that discrimination against housing vouchers might be tied to the reality that many landlords don’t know or feel comfortable navigating the process of accepting vouchers. Providing training or resources for developers and property owners may remedy situations such as this, particularly for smaller developers and landlords. Redmond could also make an effort to engage with homeowners and renters.
- **Collective Action to Overcome Opposition:** It can be challenging for Oregon cities to approve affordable housing projects when there is significant local opposition potentially due to a misunderstanding of what affordable housing projects entail. While legitimate concerns should be addressed, many of the concerns used to block affordable housing efforts are based on stigma and fear. Decision-makers and staff should address genuine concerns and respond to falsehoods. For example, it is a common belief that affordable housing, particularly multi-family units, lowers nearby property values but this has proven to be untrue (National Low Income Housing Coalition, 2012). For further advocacy on the part of affordable housing, we recommended that the City of Redmond use the 2012 National Low Income Housing Coalition (NLIHC) Advocates Resources Guide, which contains a list of property value studies based on statistical and empirical analysis and covers case studies from across the United States.

We also recommend that the City of Redmond provide opportunities for developers and affordable housing providers to build relationships with staff and decision-makers, such as city council and the planning commission. This can lead to more understanding about affordable housing as well as provide a pathway for decision-makers to build coalitions with those involved in affordable housing.

- **Objective Criteria:** Community opposition can be particularly effective when decisions are made on a discretionary basis. To mitigate this, cities should educate decision-makers and staff about relevant local codes, state laws, and federal laws, such as the Federal Fair Housing Act. Essentially, decision-makers and those involved in the land use process should understand that there must be very specific grounds for denying an affordable housing application.

Another tool that the City of Redmond can employ to address this issue is a “zoning budget.” Zoning budgets use collective map amendments to demonstrate how housing will be allocated across all neighborhoods. This tool adds objectivity to the siting process, and can relieve the city council of political pressure to “unbundle” zoning amendments and vote according to NIMBYism or “home voters” (owners of owner-occupied housing). This also provides a clear diagram to decision-makers as to which neighborhoods are accepting infill and are being rezoned, and where housing need may be highest.

Above all else, affordable housing may simply be an intangible concept to many people, due to a lack of understanding that residents of affordable housing are just as much a part of the community as those who live in market rate housing. We recommend that the City of Redmond take action to fight the stigma of affordable housing by promoting community conversations, increasing education and outreach, and encouraging the development of mixed-income communities.

3. Move Toward Regional Solutions

Many of the interviewees were regionally-focused but consider Redmond as an individual market. However, Redmond’s housing market is tied to the housing market of the entire Central Oregon region. Even though housing problems may seem isolated within cities, they will likely converge as land use patterns develop over time. Due to growth constraints affecting cities within the region (such as the public land surrounding Bend and other cities) Redmond may need to eventually accommodate much of the region’s population growth. Increasing understanding of regional housing market dynamics may make it easier to craft policies and incentives that would facilitate the development of new units in Redmond.

Approaching solutions regionally requires cities to frame interdependencies, while also addressing their unique differences. This also allows for housing providers and developers to address the market from a more holistic perspective, as opposed to a piecemeal approach. We recommend that the City of Redmond begin crafting regional partnerships and committees that can address these issues from a regional scale.

4. Increase Public Participation

Effective and genuine participation can help city staff accurately diagnose the needs of various stakeholder groups, potentially resulting in contextually appropriate policies and developments. Additionally, Oregon Statewide Planning Goal 1 states that citizen involvement requires a robust and widespread public participation process in all planning efforts. Only one stakeholder interviewed for this research was involved in the process of developing Redmond's 2007 Affordable Housing Plan. As Redmond continues the planning process around affordable housing, we recommend that the City of Redmond commit to including as many voices as possible.

By including more people early on and keeping them involved, Redmond can help to ensure that the next plan achieves greater buy-in, better implementation, and more successful, long-term outcomes. Due to the diverse needs of all stakeholders, we recommend that the City of Redmond employ more than one strategy as part of an overall plan to engage as many stakeholders as possible. These public participation efforts should prioritize the involvement of the following stakeholder groups:

- Nonprofit housing providers
- Private and nonprofit housing developers
- Community members including both homeowners and renters, and
- Current or prospective tenants of low-income housing

Participation strategies for each of these groups should be specifically tailored to best meet the needs of both the city and the stakeholders. There are a wide range of barriers that may make it difficult for people to participate. However, good process design can often help to overcome these barriers. A useful resource for effective public participation is produced by the University of Kansas.³

5. Build Collaboration

To better position itself to provide useful incentives and to respond to opportunities as they arise, it is vital that the city invest time and energy into building collaborative relationships with key partners. As public funding for the development of affordable housing wanes, crafting effective partnerships will be an important step toward successfully increasing the supply of affordable housing. This collaboration can include leveraging private capital, strengthening relationships with local housing partners, partnering with nearby municipalities, and working more closely with Oregon Housing and Community Services (OHCS).

³ Available online at: <http://ctb.ku.edu/en/toolkits>

Allowing feedback from developers to influence development incentives can result in policies that will more successfully encourage new affordable housing development. We recommend that the City of Redmond involve more advisory groups in decision-making processes.

We also recommend that the city increase coordination with nearby municipalities. Doing so can increase the city's likelihood of receiving state and federal funding, can allow communities to share resources for paths to success, and to work together to address regional housing need. Finally, Redmond should prioritize building a relationship with OHCS, who provide the Low-Income Housing Tax Credit (LIHTC) to developers. Projects are scored based on how well the city addresses affordable housing, and Redmond currently does not meet many of their criteria. Working more closely with OHCS could potentially result in more funding and could also provide valuable information and ideas for how to implement affordable housing strategies.

Policy Recommendations

After identifying affordable housing objectives, students identified several policy recommendations that can aid the City of Redmond as they seek to provide needed housing in their community. These are divided into short-term strategies (five- to 10-year implementation), long-term strategies (10- to 15-year implementation), and other strategies.

Short-Term Strategies

The following strategies primarily address the housing objectives of Increasing and Diversifying Housing Stock and Addressing the Stigma of Affordable Housing.

1. System Development Charge Waivers

Objective: Increase and Diversify Housing Stock

To increase and diversify housing stock, it is important for the City of Redmond to incentivize private and non-profit housing developers to build affordable housing. One way the city can do this is by exempting affordable housing developers from some costs associated with development, increasing profit margins. SDCs are frequently assessed on new development, generally to pay for an increased burden on infrastructure and other systems serving the development. SDCs can cost developers anywhere from \$6,000 to \$10,000 per unit and are assessed when the city issues a permit. Adding these fees onto the cost of development can decrease profit margins for developers, disincentivizing the development targeted at households with moderate to low incomes.

To incentivize the development of housing for low- and moderate-income households, communities can waive, defer or decrease these fees, or can pay the fees using funding from an Affordable Housing Trust Fund (Laura Fritz and Associates, 2007). SDC waivers are a common practice for cities that want to encourage the development of affordable housing units. As part of their ongoing Affordable Housing Strategy, the City of Eugene currently waives SDCs on units that are designated for low-income individuals or households. In 1997, the Eugene City Council approved this exemption for SDCs for nonprofit sponsored low-income housing projects. Initially, up to \$115,000 in SDCs could be exempted each year. That annual amount has appreciated over time. If not used, the amount available for exemptions can be carried forward (City of Eugene, n.d.).

The City of Redmond currently assesses SDCs based on meter size (for water and sewer) and the number of residential units (for parks and transportation; City of Redmond, 2014). Redmond also currently waives SDCs for some types of development but doesn't specifically target residential developments that include affordable housing. Many SDC waivers are subject to planning commission and city council approval, and can be applied to different types of projects at their discretion. However, more transparent language could be included in the city's Development Code that would make it clear that affordable housing developments are eligible for these fee waivers. To encourage the development of units for low-income households this program could apply to developments targeted at households making between 80% of the area median income (AMI). This option could apply specifically to non-profit developers as well as for-profit developers.

2. Affordable Housing Trust Fund

Objective: Increase and Diversify Housing Stock

An Affordable Housing trust fund supports the development and preservation of affordable housing by allocating resources to provide ongoing funding for housing projects or programs. Housing trust funds generally have a dedicated source of funding that can be used to pay part of the cost of building new housing or rehabilitating existing housing. Funds are transferred in the form of grants to housing developers, potentially through an advertised request-for-proposals process.

Oregon Housing and Community Services currently facilitates a statewide program that acts as an Affordable Housing Trust Fund. The statewide trust fund program provides funding to cover the costs of new construction and rehabilitation of existing units. The goal of the program is to increase the state's supply of affordable housing for low- and very low-income households by providing funds to construct new housing, or to acquire and/or rehabilitate existing structures (Oregon Housing and Community Services, 2015). In addition to a statewide housing trust fund, several Oregon cities have local affordable housing trust funds. In 2012, the City of Newberg, Oregon, passed an

ordinance establishing a local Affordable Housing Trust Fund which is facilitated by their local Affordable Housing Commission (City of Newberg, 2016; Newberg Affordable Housing Commission, 2015).

The City of Redmond could establish a similar fund that could be facilitated by either the local government or an Affordable Housing Advisory Committee. Although this fund would likely need to be city-funded for its initial years, early implementation of funding mechanisms could allow the program to have a strong start and begin accumulating resources. Redmond's Affordable Housing Trust Fund could be supported through a wide variety of mechanisms. Several of these options are listed below and explained in more detail in Appendix D:

- **Linkage Fee:** Linkage fees are fees assessed on new commercial developments that might create low paying jobs. The fee is meant to offset the increase of low income earners employed by a commercial development by providing funding to the city to create and manage affordable housing units for these workers. Redmond's projected growth would make this an effective tool.
- **Condominium Conversion Fee:** A condominium conversion transfer fee or tax is usually seen as part of a larger condominium conversion program, which seeks to limit or tax the transfer of rental units to ownership units. Programs like this (1) ensure that affordable or market rate apartments are less likely to be turned into expensive condominium housing, (2) avoid a net loss in affordable housing units, and (3) allow cities to collect funds, if and, when this does happen.
- **Construction Excise Tax:** In March 2016, the Oregon State legislature passed Senate Bill 1533 which ended a statewide ban on Construction Excise Taxes (CETs). Cities can now use CETs to fund the construction of affordable housing. The bill specifies that CETs can target residential, commercial, and industrial construction and apply actions that build new structures and increase the square footage of existing structures. The City of Redmond could implement a one percent CET on residential, commercial, and/or industrial development.
- **One Percent Insurance Premium Tax - Louisville, Kentucky:** In an effort to create a more stable Trust Fund, the city passed a one percent tax that is paid by residents and business owners on premiums for auto, homeowners, boat and casualty insurance policies (City of Louisville, 2016). It is estimated that this measure has raised \$10.5 million annually for the city's Affordable Housing Trust Fund, to help individuals and families in need of housing.
- **Revolving Loan Program - Minneapolis, Minnesota:** The Beltrami Neighborhood Council in Minneapolis, Minnesota, provides funding to residents in the form of small loans to be used for down payment assistance and home repairs. This program has been successful in

leveraging continual additional investment in the neighborhood due to the revolving nature of the loans.

Image 2: Louisville, Kentucky



Image 3: Minneapolis, Minnesota



- **Nonprofit Endorsements:** If limited budget or interest make it difficult for the city to implement an Affordable Housing Trust Fund, a non-profit organization may be the most appropriate manager of the Housing Trust Fund. This type of management has worked well in places throughout the country.

3. Redefine Dwelling Unit in Code

Objective: Increase and Diversify Housing Stock

Size and design requirements for housing contribute significantly to its cost. In particular, smaller units and houses are cheaper to build than larger houses, and can provide individuals and families with more affordable homeownership and rental opportunities. Cities can encourage the development of more affordable housing opportunities by allowing for smaller units with fewer amenities (Heben, 2014). In addition to size, the way that a city defines a dwelling unit in its local code determines, to some extent, how much that unit will cost. The City of Redmond could alter its requirements for a dwelling unit in two ways that would expand opportunities for housing that is more affordable. These include allowing for smaller dwelling units by decreasing the minimum size requirement, and allowing for units with shared amenities (such as single room occupancy units - SROs).

Decreasing Minimum Dwelling Unit Requirement: Minimum dwelling unit sizes are often dictated at the local, state, or national level. The Oregon Residential Specialty Code (ORS R204.1) establishes a minimum area for each dwelling unit as 120 square feet (Oregon Residential Specialty Code, 2014). However, in 2015, the International Code Council decreased this requirement to 70 square feet (International Code Council, 2015). In response to increased demand for smaller units, in April of 2016 the State of Oregon released a notice that designers are now allowed to use the updated 2015 International Residential Code to guide their designs at their own discretion (State of Oregon Building Codes Division, 2016). The City of Redmond allows “cottage developments” which are intended to provide more flexibility, presumably allowing for smaller units. However, the local code requires a minimum floor space of 1000 square feet for cottage developments even though this requirement could be as low as 70 square feet to allow for even smaller, more affordable units (City of Redmond, n.d., pg. 79). We recommend that the city of Redmond adopt a minimum floor area requirement of 70 square feet for cottage dwelling units.

Redefining Dwelling Unit: Chapter 8 of Redmond’s Code defines a dwelling unit as “a single unit providing complete independent living facilities for one or more persons, including permanent provisions for living, sleeping, eating, cooking and sanitation” (City of Redmond, n.d). This is the same definition provided by the Oregon State Residential Specialty Code (2014). Decreasing these requirements to allow some dwelling units to share communal space, such as kitchens and restrooms, could allow for affordable, communal living situations like SROs. In situations like this, tenants rent their own small private sleeping space but share the cost of other amenities, making the cost of living much more affordable for each resident. The City of Dana Point, California, has updated its municipal code to allow for SRO living

accommodations (9.07.160) and Redmond could update its code in a similar fashion (City of Dana Point, n.d.). Additionally, to discourage these units being used as short-term rentals, a small transient lodging tax can be imposed for stays shorter than 30 days. This funding would be collected by the city and can be used to fund its Affordable Housing Trust Fund.

4. Gap-Financing

Objective: Increase and Diversify Housing Stock

In the current housing climate, it's nearly impossible for developers to make below-market rate units pencil out financially. Because private developers are frequently driven by their bottom line, they need to be incentivized in order to build such units. It is typically left to the developer to pursue financing for their projects, such as commercial loans, grants, and tax breaks. However, often times there is a gap between what an affordable housing development costs and its return on investment. Because the probability of affordable housing being built is closely tied to its financial viability for the developer, the City of Redmond could offer a financing program to close this gap. This would increase the likelihood that projects would be profitable and, therefore, would be built.

An example of gap-financing that cities can offer developers is dedicated Community Development Block Grant (CDBG) funds. CDBG funding comes from both the federal and state levels, and is separated into categories and allocated for specific programs to address housing within a community. A common strategy is to offer developers a public operating subsidy through the CDBG program. This funding can be used by affordable housing developers to cover the costs of operation and maintenance when rent revenue from low income tenants cannot meet the need alone (U.S. Department of Housing and Urban Development, n.d.).

Additionally, cities can work to reduce the overall cost of developing these units. One of the most expensive aspects of development are permitting and impact fees. Cities can work with developers to reduce, defer, or eliminate these costs for units targeted at low income households. Partnering with developers is a lower cost option for cities than building and maintaining affordable units themselves. Working in partnership to balance the costs of affordable housing benefits both the community and the developer, and it is encouraged that Redmond keep this tactic in mind for the future.

5. Outreach and Awareness Building

Objectives: Increase and Diversify Housing Stock, Address Stigma Against Affordable Housing, Increase Public Participation, Build Collaboration

Based on results from the stakeholder interviews that Group 1 conducted with representatives from Redmond's housing community, developers lack an awareness of development incentives that are currently available. We

recommend that the city include a section on their website that explains what incentives are available, how to access them, and how to combine incentives. To ensure that the programs the city offers to developers effectively incentivize the development of affordable housing, we also recommend that the city engage in substantial outreach to local developers and housing providers. The city could ask developers which incentives they currently use, how aware they are of currently available incentives, and what other incentives they would take advantage of.

Long-Term Strategies

1. Changes to Consolidated Plan

Objectives: Increase and Diversify Housing Stock, Move Toward Regional Solutions, Build Collaboration

Every five years, the City of Redmond engages in the process of creating a consolidated plan, which it submits to the U.S. Department of Housing and Urban Development (HUD) in order to receive federal Community Development Block Grant (CDBG) funding. CDBG funds can provide a substantial amount of support for local community development and housing projects. We have identified three strategies that Redmond could implement through the consolidated plan process that could help them increase their supply of affordable housing.

Form a Regional HOME Consortium: In addition to CDBG funding, many cities also use federal HOME Investment Partnership Program funding to build affordable housing. Currently, the City of Redmond is not able to access federal HOME funding for several reasons: Redmond is not the main city in its metropolitan statistical area, does not have a population of over 200,000, and its housing stock is too new. HUD allows cities within a region to group together and form a consortium in order to apply for these funds (U.S. Department of Housing and Urban Development, 2008). Forming a regional consortium has allowed Springfield and Eugene to access funding for affordable housing through the Federal HOME Investment Partnerships Program (Eugene-Springfield Consolidated Plan, 2015). Forming a regional housing consortium also recognizes that housing is a regional issue.

Nearby Bend does not receive a Federal HOME allocation either because their housing stock is too new (City of Bend, 2015). Because neither Bend nor Redmond are eligible to receive HOME funding, they could consider forming a regional consortium to apply together for HOME funding. This configuration might make them more likely to be considered an entitlement jurisdiction and provide them with a valuable source of funding for affordable housing. Because Bend and Redmond both have such a new housing stock (which has left them ineligible for HOME funding in the past), these two cities could potentially partner with other cities in the region including Prineville, Sisters, Tumalo, or

Madras. These cities then have to submit a joint consolidated plan, which would significantly change the process through which Redmond creates its consolidated plan.

Use Federal Funds to Build Shelters: The City of Redmond currently has around 500 people experiencing homelessness, yet does not have a single homeless shelter within city limits (Tri-County Point in Time Count data sheet, 2015). We strongly suggest that the city use future CDBG or HOME funding to build transitional housing and shelter space for people experiencing homelessness or housing instability. These facilities could be managed by a local or regional service provider or faith-based non-profit and could range from providing overnight shelter to longer term transitional housing opportunities. The City of Olympia, Washington, used federal CDBG funding (as well as project based Section 8 funding) to build and operate a community of tiny homes that provide transitional housing to 30 single adults experiencing homelessness (Quixote Village, n.d.).

Revolving Loan Program: Finally, the team suggests that the City of Redmond use future CDBG funds to support a revolving loan program that would support increased homeownership rates among low income residents. While we recognize that homeownership may not be appropriate or even desired for many, this can be an important way to promote stability and self-sufficiency throughout a community. This program, though funded publically, could be facilitated by a local nonprofit organization or Housing Works.

2. Housing Dispersal Policy

Objectives: Increase and Diversify Housing Stock, Address Stigmas Against Affordable Housing, Move Toward Regional Solutions

Sadly, affordable housing is often concentrated in geographic locations that are considered less desirable: Both land prices and competition for housing are lower and prices can naturally be lower as a response. Unfortunately, this location may often exacerbate the diminished economic condition in which its residents find themselves by isolating them from the community services on which they depend. Additionally, concentrating affordable housing in particular areas results in economic and racial segregation, presenting fair housing concerns. A housing dispersal policy would allow Redmond to plan for future growth of the city by ensuring that lower income residents maintained equitable access to goods, jobs, schools and services, regardless of where in town they may live. This policy would also promote mixed-income communities, increase diversity, and help fight stigmas associated with affordable housing. While such a policy may not seem immediately necessary in Redmond, it could mitigate negative impacts that would otherwise accompany future growth.

3. Inclusionary Zoning

Objectives: Increase and Diversify Housing Stock, Address Stigma Against Affordable Housing, Move Toward Regional Housing Solutions

As of March 3, 2016, the Oregon legislature passed bill Senate Bill 1533 that repealed the statewide ban on inclusionary zoning (SB 1533, 2016). Inclusionary zoning is an important mechanism through which cities can increase their supply of housing affordable to a variety of households. Inclusionary housing policies tie the development of market rate housing to the development of below-market rate units, often requiring developers to include affordable housing in new developments. Inclusionary housing policies are widely implemented, with almost 500 jurisdictions throughout the United States having such programming (Sturtevant et. al., 2014).

In order to provide housing for the local workforce, Redmond could adopt a program similar to Montgomery County's Moderately Priced Dwelling Unit program (see Appendix B for description). The City of Redmond could also require that a certain percent of units in new developments be affordable to low, or moderate, income households. The number of units that would make a residential development qualify for this requirement could vary; for example, because few developments in Redmond are likely to include over 20 units, this could apply to developments of five or more units. The affordability of the units could also be required for a certain period of time and the units could transfer to the housing authority or other non-profit housing developer upon transition to property ownership.

Image 4: Montgomery County



We recommend that the City of Redmond adopt inclusionary housing policies that would require developers to include a certain percentage of affordable units

in residential developments. It is necessary for Redmond to “opt in” and write code that affirms its use. Developers may find the inclusion of income-verified units onerous, so Redmond could also include an option for payment in-lieu to be earmarked for the development of future affordable housing, potentially providing funding for an Affordable Housing Trust Fund.

4. Affordable Housing Advisory Committee

Objectives: Move Toward Regional Solutions, Increase Public Participation, Build Collaboration

Affordable Housing Advisory Committees (AHACs) can operate at a variety of jurisdictional levels, ranging from statewide to local. These groups promote collaboration between representatives of entities whose work impacts policies and programs related to affordable housing. Affordable Housing Advisory Committees work together to identify challenges, develop strategies and best practices, and then recommend policy to local government that will result in more housing that meets the needs of the local community. Many jurisdictions have such organizations, including the Lane County (Oregon) Housing Policy Board and the Affordable Housing Advisory Committee in Fort Myers, Florida (see case study, Appendix B).

Image 5: Fort Myers, Florida



Currently, the City of Redmond has a Housing and Community Development Committee which is charged with reviewing and recommending “housing, neighborhood revitalization, and community development programs addressing the continuum of housing and human services needs for the purpose of enhancing community health and well-being” (City of Redmond, 2016). Some aspects of this group’s mission overlap with the mission of an AHAC, but because Redmond has specifically prioritized the provision of affordable housing, we suggest that they establish a similar entity that would only address housing affordability.

The proposed AHAC could be made up of local service providers, representatives from Housing Works, nonprofit and for-profit housing developers, city staff, resident and tenant advocates and local elected officials. This group could work to identify the most significant barriers to the development of affordable housing and collaborate to develop strategies that will effectively result in more affordable housing citywide. The city established an affordable housing task force during the development of the affordable housing plan, and this group could potentially be involved in deciding who will be represented on the committee.

5. Employer Assisted-Housing

Objectives: Increase and Diversify Housing Stock, Move Toward Regional Solutions

As the City of Redmond continues to grow and attract new businesses and employees, the local housing market will only grow tighter. Increased housing prices and decreased vacancy rates could potentially push local employees outside of the city, leaving them to commute into work. Employer-assisted housing programs ensure that employers cannot fully externalize the costs of locating or operating in a tight market onto their employees, the public, or non-profit sectors. Employers have a stake in housing affordability and creating housing opportunity while furthering their businesses, and have a role to play in easing the jobs-housing mismatch. Employer-Assisted Housing programs can also help regional economies by holding down labor costs, reducing congestion, and maintaining area competitiveness.

The affordability of housing is more than the amount of rent and utilities paid by the resident. The cost of transportation needed to get to services, employment, and amenities should be included in the calculation as well. Transportation is the second largest expense for most households after housing (Federal Highway Administration, n.d.). Living closer to your workplace allows for greater disposable income, improving the quality of life for households. In response to this, the State of Maryland adopted a program as an initiative to encourage workers to move closer to their workplaces. They determined that a successful program must offer workers enough of an incentive so that they consider living in a neighborhood in which they ordinarily would not. Under the program, residents may receive \$3,000 towards the purchase, down-payment or closing costs on a new home that is located within five miles of the resident's workplace (Partners for Livable Communities, n.d.).

If a similar program were to be implemented in Redmond, potential employers to participate include the Redmond School District, the Redmond Airport, and St. Charles Medical Center. This would increase home ownership in job center neighborhoods and potentially increase the percentage of employees who bike or walk to work.

6. Clear and Objective Standards

Objectives: Increase and Diversify Housing Stock, Address Stigma Against Affordable Housing, Increase Public Participation

When reviewing development applications, city leadership must decide if the development meets existing city policies, is compatible with existing and future uses in the area, and is favored by the affected neighborhood. These approval criteria are generally subjective and are met at the discretion of decision-makers. This type of discretionary land use code, which is the most common way to approve housing development, can be used in ways that are discriminatory towards certain housing types, especially affordable housing. Development applications for affordable housing projects are often subject to NIMBYism and neighborhood pushback, and can be denied approval for reasons such as incompatible use or decreased safety.

Oregon Statewide Planning Goal 10 states that “plans shall encourage the availability of adequate numbers of needed housing at price ranges and rent levels which are commensurate with the financial capabilities of Oregon households and allow for the flexibility of housing location, type and density” (Oregon Department of Land Conversation and Development, n.d.). Parameters for crafting needed housing criteria is codified in state law: A local government may adopt “only clear and objective standards, conditions, and procedures regulating the development of needed housing on buildable land...the standards, conditions, and procedures may not have the effect, either in themselves or cumulatively, of discouraging needed housing through unreasonable cost or delay” (ORS 197.307(4), 2013).

The City of Redmond should use clear and objective review standards while reviewing permit applications for potentially controversial land uses such as below-market rate housing and manufactured homes. Under Oregon law, development officials cannot use vague standards such as “compatibility with the neighborhood” to deny an application for a needed housing type in an appropriate zone. Insistence on having clear standards protects developers and permit applicants from arbitrary and inconsistent decisions and thereby enhances predictability. If the City of Redmond adopts the use of clear and objective review standards for specific types of housing development, it will increase the likelihood that affordable housing will be built in the city.

Other Recommendations

Many of these recommendations are targeted specifically for actions that could be taken by the city. Some, on the other hand, are targeted at other entities who are involved in providing affordable housing. For example, the city could encourage Housing Works to seek HUD’s project-based Section 8 rental assistance in addition to tenant-based Section 8 vouchers. This was a local need specifically addressed by city staff during the preliminary presentation. In addition to identifying several short- and long-term strategies that the City of

Redmond could implement to increase their supply of affordable housing, we include a number of other regulatory and non-regulatory suggestions.

1. Rest Stop Ordinance

Objectives: Increase and Diversify Housing Stock, Address Stigma Against Affordable Housing

Via interviews conducted with stakeholders, many of Redmond's affordable housing and social service providers mentioned "hidden homelessness" as a concern. Though not technically a policy under affordable housing auspices, a rest stop ordinance could help to mitigate the stressful effects that highly transitional temporary housing has on Redmond's homeless population. The rest stop ordinance that is currently in place in Eugene was implemented in October of 2013, and allows up to fifteen individuals to camp overnight on specific lots of city-owned land (Heben, 2014). The site is overseen by Community Supported Shelters, a local non-profit, who also provide trash and waste services. However, day-to-day management falls to the residents, as outlined in an extensive agreement that each individual signs before taking up residence. Redmond could host a city-owned site wherein a predetermined number of homeless individuals could safely sleep during predetermined hours, the consistency of which would allow individuals an element of security and reliability while they attended to the necessary work of achieving a more stable life.

2. Prioritize Affordability in Comprehensive Plan

Objectives: Increase and Diversify Housing Stock, Build Collaboration

We recommend that the City of Redmond specifically emphasize housing affordability within their next Comprehensive Plan update. Rather than creating a separate citywide plan for affordable housing, we suggest that the City of Redmond include specific strategies for housing affordability within the plan. This ensures that policies related to providing affordable housing have more credibility, being that a Comprehensive Plan is a legislative document whereas an Affordable Housing Plan lacks legislative authority. This would also require the city to conduct an updated assessment of existing conditions and local housing.

3. Low Income Rental Property Tax Exemption/Low Income Housing Tax Credit

Objectives: Increase and Diversify Housing Stock

Additional strategies that the City of Redmond could pursue to increase their supply of affordable housing options include the creation of a Low Income Rental Tax Exemption (LIRPTE) for developers and the use of Low Income Housing Tax Credits (LIHTC) via Oregon Housing and Community Services. The first of these strategies – a Low-Income Rental Tax Exemption – is currently in use in Eugene. Modeled after this tool, it would allow Redmond to provide a 20-year property tax exemption for rental properties constructed

within the last 30 years, or to rental properties owned by 501c(3) nonprofits. However, based on Eugene's model, an applicant requesting a LIRPTE wouldn't necessarily have to be a non-profit. An applicant could be eligible for a property tax exemption if the housing was being developed for a specific vulnerable population, as identified by Eugene Municipal Code.

Secondly, Oregon Housing and Community Services offers LIHTCs to incentivize construction and rehabilitation of low-income rental units. These are 10 year credits on federal tax liabilities. Eligible properties must set aside a minimum of 20% of the units for tenants who make less than 50% of the area median income or 40% of the units for tenants who make less than 60% of the area median income. The City of Redmond could support local developers in accessing these subsidies.

4. Home Foreclosure Counseling

Objectives: Increase Public Participation, Build Collaboration

Collaboration with non-profits across the state can help the City of Redmond increase home foreclosure counseling which will help people stay in the homes when they are at risk of homelessness. Finally, as of March 3, 2016, Oregon's legislature allocated \$2.5 million for home foreclosure counseling. This money will primarily be administered by agencies in the Willamette Valley and southern Oregon, but it provides Housing Works the opportunity to partner with other regional non-profits across the state, such as the Neighborhood Economic Development Corporation in Springfield. Redmond and Springfield have many economic and demographic similarities, and could serve as valuable allies for each other in addressing regional affordable housing concerns.

Conclusion

The City of Redmond has recognized that housing affordability is an issue of major concern. The goal of this report is to supply the City with a set of tools that they can use to ultimately increase the supply of affordable housing in Redmond. Through interviews with government officials, non-profit leaders, housing developers, and other housing stakeholders, the research team has identified five key objectives to address housing affordability in Redmond:

1. Increase and Diversify Housing Stock
2. Address Stigmas Against Affordable Housing
3. Move Toward Regional Solutions
4. Increase Public Participation
5. Build Collaboration

As a final recommendation, it is suggested that the City of Redmond take special consideration of the findings supplied by Group 1. Interviews of those intimately familiar with the housing market in the City are invaluable to determine what stereotypes and stigmas exist related to affordable housing. It is important to note that while the City is currently making a significant effort to address its affordable housing problem, social, economic, and systemic barriers to affordable housing still exist in Redmond. In order to better address these real issues, the City must actively engage those citizens that are most significantly impacted and use their input constructively.

Additionally, the team has compiled this list of tools after careful consideration of best practices identified through case study research, collaboration and information sharing, and input from the City of Redmond staff. These tools range from non-regulatory programs to regulatory development code language and are separated into short term strategies that the city should implement within five years, and long-term strategies to be implemented within five to 15 years. There are also other additional recommendations that we believe the City should consider when attempting to encourage the development of affordable housing. Table 2 shows a summarized chart of each strategy and its correlated objective(s).

Table 2: Housing Objectives Addressed by Strategies

Strategy		Housing Objectives				
		Increase and Diversify Housing Stock	Address Stigma Against Affordable Housing	Move Toward Regional Solutions	Increase Public Participation	Build Collaboration
Short Term	SDC waivers	X				
	AHTF	X				
	Redefine Dwelling Unit	X				
	Gap-Financing	X				
	Outreach and Awareness	X	X		X	X
Long Term	Consolidated Plan Changes	X		X		X
	Housing Dispersal	X	X	X		
	Inclusionary Zoning	X	X	X		
	AHAC			X	X	X
	Employer-Assisted Housing	X		X		
	Clear/Objective Standards	X	X		X	
Other	Rest Stop Ordinance	X	X			
	Comprehensive Plan	X				X
	LIRPTE/LIHTC	X				
	Foreclosure Counseling				X	X

To actualize any strategies described within this document, the City of Redmond will first need establish an action plan outlining the exact steps required to implement that tool. For effective implementation and in order to be adopted by local decision-makers, this Action Plan should be specific and include any budgetary requirements. This Action Plan should be categorized into phases as to implement those strategies the city deems priorities.

It is the hope of the research team that this report be a valuable resource to the City of Redmond in their attempt to address the growing issue of affordable housing.

Appendix A: Innovative Tools

To guide our study of innovative tools that cities across the country use to supplement their supply of affordable housing, our team compiled the following table. Many of these tools were eliminated during the process but we present them here in their entirety.

Tool	Description
Real Estate Transfer Tax	A tax that may be imposed by states, counties, or municipalities on the privilege of transferring real property within the jurisdiction. Usually 2-4 percent.
Voluntary Contributions	Affordable housing trust funds are funded by private, voluntary contributions from developers, foundations, employers, and other private sources. This type of funding usually goes into a community trust fund that is run by a private or non-profit organization. However, some communities are exploring combining these types of contributions with their existing public trust funds.
Proportional Impact Fees	Proportional impact fees are based on the theory that larger homes put a greater strain on public services and infrastructure.
New Construction Fee	Assessment on all new development that is paid into a dedicated fund for affordable housing projects and programs. The fee can be based on a percentage of building permit valuation or a set fee for different tiers of valuation.
Linkage Fee	Fees are collected on new commercial construction to help increase the supply of homes that are affordable to local workers.
Affordable Housing Trust Fund	A distinct fund that is set up by cities, counties, and/or states that is dedicated solely to affordable housing efforts. The fund is established through legislation or ordinances and has a consistent source of revenue.
Density Bonus	A zoning tool that permits developers to build more housing units, taller buildings, or more floor space than normally allowed in exchange for provision of a defined public benefit, such as a specified number or percentage of affordable units included in the development.
Relaxed Design Standards	Design requirements such as yard setbacks and height restrictions contribute to the cost of a project. By relaxing some design standards cities can save developers money that then allow them to incorporate affordable housing into their projects.
Expedited Permitting	Many cities have adopted a “fast track” permitting process for affordable housing projects that saves developers both time and money.

Relaxed Parking Requirements	Parking requirements contribute to the cost of housing because developers must allocate more land per unit to cover parking needs. Cities can develop guidelines for affordable housing projects that reduce parking requirements to help bring down project land costs.
Minimum Density Zones	Zoning policy that forces a specific area to have a specific amount of density.
Establishing Low Minimum Lot Size Thresholds	These ordinances which regulate density indirectly through provisions such as, type of structure, lot dimensions and minimum lot area per household.
Encourage Mixed-Use	Encouraging mixed-use development in commercial zones.
Height Bonuses	A zoning tool that that permits developers to build higher than normally allowed, in exchange for provision of a defined public benefit, such as a specified number or percentage of affordable units included in the development.
Condominium Conversion Ordinance including transfer tax	Condominium conversion ordinances often give tenants the first right to purchasing their unit if the property owner plans to convert their unit to an ownership unit. Ordinances like this can also cap annual rent increases, and require owners to provide displaced tenants with a relocation stipend. Policies like this can also include a condominium conversion tax that helps the city fund the provision of more affordable housing. Additionally, the ordinance can guarantee the first right of refusal (right to purchase) to the local government, housing authority, or non-profit housing providers.
Mobile Home Ordinances	Policy that will prevent mobile home park tenants from being displaced and also increase the amount of affordable mobile home units.
Community Land Trust	Community land trusts (CLT) generally are nonprofit organizations that acquire and hold land to be used for affordable housing. Housing on the land is sold at an affordable price and the homeowner leases the rights to the land on which the house sits. In this way the cost of the land is removed from the purchase price, thereby making the housing more affordable.
Preservation: Rehabilitation Grants and Loans	Cities can provide direct grants or loans to households that fall in targeted income categories to make repairs and upgrades to their homes. Another common approach is for a city to provide a grant to an existing non-profit organization to administer the grant/loan program.
Foreclosure Prevention Programs	Foreclosure programs can take the form of property tax deferrals, low interest loans or grants, homebuyer education classes, credit counseling, emergency mortgage payment programs, and mortgage refinancing. Nonprofit housing organizations often provide some of these services to the community.

First-Time Homebuyer Programs	First-time homebuyer programs are designed to help reduce barriers to homeownership. These programs usually fall into one of three categories: 1) educational services that prepare individuals for homeownership; 2) financing opportunities that assist households in buying a market-rate home; and 3) programs that keep the price of the home below the market rate for the first buyer, and usually for subsequent buyers of the home as well.
Regional Consortium - HOME	The fragmentation of regulatory policymaking among cities and counties can exacerbate affordable housing problems. A regional consortium can help alleviate some of the problems that are created when communities work in isolation.
Employer-Assisted Housing	Some businesses provide housing benefits as a way to recruit and retain employees. Employer-assisted housing programs generally fall into one of two categories: 1) demand programs that enhance the affordability of existing housing; 2) supply programs that stimulate the development of units for its employees.
Land Banking	Land banking involves buying and holding undeveloped land that is situated in the path of future urban growth. The land is then used for affordable housing purposes sometime in the future. The theory behind land banking is that buyers can save large sums of money by purchasing land before it is subject to urban growth pressures. Land banking also can involve the acquisition of vacant, foreclosed, or underutilized property within developed areas.

Appendix B: Housing Policy Case Studies

Tool: System Development Charge (SDC) Waivers

Community: Eugene, Oregon

Community Context

Eugene, Oregon, has a population of around 160,000 and grew by about 12.8% between 2000 and 2010. Eugene and its neighbor Springfield work together as a consortium to apply to HUD for CDBG and HOME funding through a joint consolidated plan.

Implementation

In 1997, the Eugene City Council approved the waiving of SDCs for nonprofit sponsored housing developments targeted at low income households or individuals. Early in the program, up to \$115,000 in SDCs could be waived annually, and this amount has increased over time. The City of Eugene has a fund that is used to cover the costs of the expansion of infrastructure and other systems; there is currently a balance of \$1,250,977 available. These funds are eligible as HOME match funds.

Image 6: SDC Waiver



Implications

The City of Redmond could have a similar ordinance in their development code which would waive SDCs on units that are developed for households making below a certain percent of the area median income (AMI). To encourage the development of units for low income households this program could apply to developments targeted at households making between 80% of the area median income (AMI). This option could apply specifically to nonprofit developers as well as for-profit developers.

Tool: Affordable Housing Trust Fund

Community: Newberg, Oregon

Image 7: National Housing Trust Fund

Community Context

Newberg, Oregon, is a city of around 25,000 located outside of the Portland metropolitan area in Yamhill County. Newberg has grown rapidly over the last decade - its population has nearly doubled since 1990.

Implementation

In 2012, the City of Newberg, Oregon, passed an ordinance establishing a local affordable housing trust fund which is facilitated by their local Affordable Housing Commission. Newberg's affordable housing trust fund (NAHTF) was established to "support the development, preservation, and rehabilitation of housing that is affordable to the citizens of Newberg

with incomes that do not exceed 80 percent of the area median income." The fund has a dedicated source of revenue which provides funding for projects and programs that address local housing needs. The overall goal of the trust fund is to provide enough quality housing, affordable to households with a variety of income levels, that low to moderate income households are not cost-burdened (not paying more than 30% of their income toward monthly housing costs).

Implications

The City of Redmond could establish a similar fund that could be facilitated by either the local government or a proposed Affordable Housing Advisory Committee. Although this fund would likely need to be funded for a few years before it could be self-sustaining, early implementation of funding mechanisms could allow the program to have a strong start and begin accumulating resources. Redmond's Affordable Housing Trust Fund could be supported through a wide variety of mechanisms.



Tool: Condominium Conversion Fee

Community: Montgomery County, Maryland

Community Context

Montgomery County is a suburb of Washington D.C., and is one of the wealthiest counties in the United States. As of the 2010 Census, Montgomery County, Maryland had a population of 971,777, and experienced population growth of 11.3% from 2000. The county faces significant income inequality, which to some extent has manifested itself in class and racial segregation throughout the county. Although it has had an ongoing and entrepreneurial

commitment to affordable housing, the county continues to recognize the need to ensure enough affordable housing. One way they do this is through a Condominium Conversion program which, in part, funds the local Housing Initiatives Fund (similar to an affordable Housing Trust Fund).

Image 8: Condo Conversion



Implementation

The Condominium Conversion program gives the county and their Housing Opportunities Commission the first chance to purchase rental developments of 10 or more units when the owner plans to convert units to condominiums. This ensures that affordable or market rate apartments are less likely to be turned into more expensive condominium housing. The county also charges a Condominium Conversion Transfer Tax of 4% to developers seeking to convert affordable or market rate apartments into condominiums. Both of these aspects of the Condominium Conversion Program seek to avoid a net loss in affordable housing units.

Proceeds from the Condominium Conversion Tax support the Housing Initiatives Fund, which was established in May 1988, and in 2009 had an annual operating budget of \$53 million. These resources fund new projects, subsidize loans, preserve existing homes and support special needs housing programs, and can also be used to offset the costs of building affordable units in more expensive areas.

Implications

The City of Redmond could implement a similar program that would decrease the number of affordable units transitioned to non-affordable ownership units and/or assess a fee on the transfer of a rental unit to an ownership unit. This fee could be assessed on the previous owner of the property, and could contribute to a local affordable housing trust fund.

Tool: Regional Consortium (HOME)

Community: Eugene and Springfield

Community Context

Eugene and Springfield are neighboring cities who formed a consortium so that their combined populations would make them eligible to receive HOME funds. To be eligible for HOME funding, a city must be either the main city in a metropolitan statistical area or have a population of at least 200,000 people. Springfield is neither of these so Eugene and Springfield formed a regional consortium to allow them to access HOME funding.

Image 9: Regional Consortium



Implementation

Forming a regional consortium has allowed Springfield and Eugene to access funding for affordable housing through the Federal HOME Investment Partnerships Program. According to the U.S. Department of Housing and Urban Development, “a group of local governments may choose to form a consortium, particularly when one or more members are not eligible to receive a formula allocation, or their formula allocation would not meet the minimum threshold for funding.” Forming a regional housing consortium also recognizes that housing is a regional issue.

Implications

Redmond is not the main city in its metropolitan statistical area and does not have a population of over 200,000. Nearby Bend does not receive a Federal HOME Investment Partnerships Program allocation either because their housing stock is too new. Because neither Bend nor Redmond are eligible to receive HOME funding, they could consider forming a regional consortium to apply together for HOME funding. This configuration might make them more likely to be considered an entitlement jurisdiction and provide them with a valuable source of funding for affordable housing. Because Bend and Redmond both have such a new housing stock (which has left them ineligible for HOME funding in the past), these two cities could potentially partner with other cities in the region including Prineville, Sisters, Tumalo, or Madras.

Tool: Inclusionary Housing Policies – Moderately Priced Dwelling Unit Program

Community: Montgomery County, MD

Community Context

Montgomery County is a suburb of Washington D.C., and is one of the wealthiest counties in the United States. As of the 2010 Census, Montgomery County, Maryland had a population of 971,777, and experienced population growth of 11.3% from 2000. The county faces significant income inequality, which to some extent has manifested itself in class and racial segregation throughout the county. Although it has had an ongoing and entrepreneurial commitment to affordable housing, the county continues to recognize the need ensure enough affordable housing. Montgomery County was the first in the United State to implement an inclusionary housing policy - their Moderately Priced Dwelling Unit (MPDU) - which led the way for more than 400 cities and towns to follow suit.

Implementation

Montgomery County's MPDU program requires between 12.5-15% of the units of each new building or subdivision larger than 20 units to be moderately priced. Units have to be sold or rented to households with incomes of 65-70% of the AMI, with priority given to people who already live or work in the county. Forty percent of the units must be offered to the Housing Opportunities Commission (the county's housing authority) or other non-profit organizations that house low income families. The price of the units is then controlled: owner-occupied units for 30 years and renter-occupied units for 99 years. When the unit is eventually sold for market price, the previous occupant splits the profit with the county. In exchange for compliance, developers gain a density bonus and can build at 22% above the density normally allowed for that zone. Because higher density allows developers to offer more market rate units in a single development, including moderately priced units doesn't substantially decrease their profit margin.

Tool: Affordable Housing Advisory Committee

Community: Fort Myers, FL

Community Context

Fort Myers, FL has a population of around 50,000 and is located near the southwestern tip of Florida. *Image 10: AHTF*

Implementation

The Fort Myers Local Affordable Housing Advisory Committee (LAHAC) is a collaborative group of 11 representatives from a variety of fields related to affordable housing. LAHAC's role is to review local housing policies, procedures, ordinances and the comprehensive plan to identify how the city could better increase its supply of affordable housing. The advisory committee also mentors affordable housing partners, assists with funding request applications, facilitates partnerships, and identifies best practices for affordable housing development. LAHAC provides comments on the city's Consolidated Plan and works with the city to identify incentives to increase the development of affordable housing. Members represent affordable housing developers, the mortgage banking industry, residential construction company, low-income residents, for-profit housing providers, non-profit housing providers, real estate professionals, the local planning agency, service providers, and local employers. This collaboration with representatives from other sectors is intended to ensure an integrated approach to the work, allowing the input from various parties to influence policy.



Implications

Currently the City of Redmond has a Housing and Community Development Committee which is charged with reviewing and recommending "housing, neighborhood revitalization, and community development programs addressing the continuum of housing and human services needs for the purpose of enhancing community health and well-being." While some aspects of this group's mission overlaps with the mission of an AHAC, because Redmond has so specifically prioritized the provision of affordable housing, we suggest that they establish a similar entity that would specifically address housing affordability. Over the next five years, the City of Redmond could establish a local affordable housing advisory committee. This working group could be made up of local service providers, someone from Housing Works, nonprofit and for-profit housing developers, city staff, resident and tenant advocates and local elected officials. This group could work to identify the most significant barriers to the development of affordable housing and collaborate to develop strategies that will effectively result in more affordable housing citywide. The city established an affordable housing task force during the development of the affordable housing plan, and this group could potentially be involved in deciding who will be represented on the organization.

Tool: Employer- Assisted Housing

Community: Maryland (statewide)

Community Context

The East Coast State of Maryland has an estimated population of 5,976,407, just about two million more than the State of Oregon.

Image 11: Employer Assisted Housing



Implementation

In 1997, lawmakers in Maryland passed a smart growth legislation in cities to combat the problem of sprawling development in Maryland's cities. This piece of legislation was used to decrease the amount commuting (from suburbs to work) and rush hour congestion. The lawmakers created the Live Near Your Work Program. The goals of this program are to get workers to live closer to their workplace, encouraging home ownership, and to revive residential communities. The way the program works in the following ways:

- Under the program, residents may receive \$3,000 towards the purchase, down payment or closing costs on a new home that is located within five miles of the resident's workplace and within one of Maryland's targeted residential development zones. This is an incentive to get homebuyers to consider living in a neighborhood they normally would not
- This program is not available to all residents; to qualify the employer of the home buyer must also participate in the program
- Federal employees became eligible for the program in 2001

Implications

If a similar program were to be implemented in Redmond, the city should get the Redmond School District and one of the major hospitals to participate. Since these employers are more likely to have employees that live outside of Redmond, this could encourage employees to live in the city. This would increase the percentage of home ownership and walkability/"greener" modes of transportation. One thing that would be different (most likely) is the amount of money the employer and city government will provide to the homebuyer.

Tool: Foreclosure Prevention Program

Community: Seattle, WA

Community Context

In 2013, there were 2,090 homeowners who received Notice of Trustee Sales, in Seattle, which provides notice of a scheduled foreclosure auction on their foreclosed property. According to the State of Washington Department of Financial Institutions, only 10% of distressed or at-risk homeowners seek out the free resources available to help them” (Council Connection, 2014).

Image 11: Foreclosure

who



Implementation

The Seattle Homeowner Stabilization Program:

- Providing free resources to help homeowners at risk of foreclosure
- Partnering with community organizations for outreach in areas most impacted by foreclosure
- Bring awareness that foreclosure resources/help exists
- Building off the existing Washington State foreclosure prevention program

Implications

Redmond could create a program similar to that of Seattle and the State of Washington. Providing these types of resources to the citizens of Redmond will help those whose houses are in foreclosure due to the recent rise in housing prices and influx of population growth.

Appendix C: Interviewees and Interview Questions

Conducted Interviews Stakeholder List

Name	Organization	Title	Org Type
Nancy Kapp	Renaissance Development	President CEO	Developer
Daryn Murphy	Commonwealth Development	VP Development NW Region	Developer
Steve Rzonca	Eagle Mountain Construction	President	Developer
John Gilbert	Pacific Crest Affordable Housing	Principal	Developer
Andy High	Central Oregon Builders Association	Senior Vice President, Government Affairs	Non-Profit/Developer
Tom Kemper	Housing Works	Executive Director	Non-Profit
Scott Brown	Habitat for Humanity	Director	Non-Profit
Stephanie Alvstad	J Bar J Youth Services	Executive Director	Non-Profit
Laura Handy	Heart of Oregon Corps/YouthBuild	Executive Director	Non-Profit
Jeff Rickman	St. Vincent de Paul	Director of Social Services	Non-Profit
Kathy Skidmore	Central Oregon Veterans' Outreach	SSVF Program Manager	Non-Profit
Scott Edelman	Department of Land Conservation and Development	Regional Representative	Government
Kenny LaPoint	Oregon Housing and Community Services	Public Affairs	Government

General & AHP-specific Interview Questions

Questions	Themes
Do you think affordable housing is an issue?	<i>Redmond Context</i>
Are there recent socioeconomic trends in Redmond and Central Oregon that affect affordable housing supply and demand?	<i>Redmond Context</i>
Is homelessness an issue in Redmond?	<i>Redmond Context</i>
Can you think of any success stories in Central Oregon or Redmond that have improved housing affordability in the last five years?	<i>Redmond Context</i>
What type of tools or programs might reduce barriers to affordable housing in Redmond?	<i>Incentives & Barriers</i>
What are the top barriers to providing affordable housing in Redmond?	<i>Incentives & Barriers</i>
Certain groups are often at risk for being marginalized or discriminated against in the housing market (i.e. low income, people with disabilities, seniors, Latinos/Hispanics, etc.). Are the affordable housing needs for these groups being met?	<i>Inclusion & Diversity</i>
Do you think there is a stigma against affordable housing among residents of Redmond?	<i>Inclusion & Diversity</i>
In your opinion, do you think community members are adequately represented during public participation processes that focus on affordable housing?	<i>Community Needs</i>
Does the current Affordable Housing Plan adequately address affordable housing needs?	<i>Communication of the AHP</i>
Does the current Affordable Housing Plan adequately communicate its goals and visions to staff, developers, and the public?	<i>Communication of the AHP</i>

Appendix D: Strategy Implementation Details

For funding an Affordable Housing Trust Fund, used to increase and diversify the local housing supply, we recommend that the City consider the following funding tools:

Linkage Fee: Linkage fees are fees assessed on new commercial developments that might create low paying jobs. The fee is meant to offset the increase of low income earners employed by a commercial development by providing funding to the city to create and manage affordable housing units for these workers.

This is typically a fee assessed per square foot of commercial space. During case study research it was found that fees range anywhere from 85¢ per square foot to \$27 per square foot. Setting the correct fee level requires analyzing the types of jobs the development will create and the affordability of housing within a reasonable commuting distance of the development. If, for example, a development will create lower-paying service sector employment, the linkage fee may need to be higher to close the larger gap between income and nearby affordable housing. If the development will create higher paying jobs, in technology or engineering, for example, the linkage fee may be smaller.⁴

This type of fee could be effective in Redmond due to its rapid growth in population and focus on the recruitment of new business into the city. Implementing a linkage fee strategy now will preempt the expected growth of large employers in the area. The money collected from this fee can be used to support a City of Redmond Affordable Housing Trust Fund.

Condominium Conversion Fee: A condominium conversion transfer fee or tax is usually seen as part of a larger condominium conversion program, which seeks to limit or tax the transfer of rental units to ownership units. Programs like this (1) ensure that affordable or market rate apartments are less likely to be turned into expensive condominium housing, (2) avoid a net loss in affordable housing units, and (3) allow cities to collect funds, if and, when this does happen. Montgomery County, Maryland implemented a condominium conversion program which includes a tax used to fund their local Housing Initiatives Fund (similar to an Affordable Housing Trust Fund).⁵

The City of Redmond could implement a similar program that would charge a transfer tax to developers seeking to convert affordable or market rate apartments into condominiums. This tax could be used to fund the local

⁴ <http://www.psrc.org/growth/housing/hip/alltools/linkage-fee>

⁵ Montgomery County Department of Housing and Community Affairs. (2012). *A Housing Policy for Montgomery County, Maryland*. Retrieved from: <http://montgomerycountymd.gov/dhca/director/housingpolicy.html>

Affordable Housing Trust Fund, and would also potentially discourage the transfer of affordable rental units to less affordable ownership units.

Construction Excise Tax: In March of 2016, the Oregon State legislature passed Senate Bill 1533 which ended a statewide ban on Construction Excise Taxes (CETs). Cities can now use CETs to fund the construction of affordable housing. The bill specifies that CETs can target residential, commercial and industrial construction and apply to actions that build new structures and increase the square footage of currently existing structures. The tax cannot exceed one percent of the permit valuation. After allocating four percent of this revenue to administrative costs, cities are allowed to dedicate remaining funds in the following way:

- “50% to fund developer incentives;
- 15% to be distributed to the Housing and Community Services Department to fund home ownership programs that provide down payment assistance; and
- 35% for programs and incentives of the city or county related to affordable housing as defined by the city or county.”⁶

The City of Redmond could implement a one percent Construction Excise Tax on residential, commercial, and/or industrial development. These funds could contribute to the proposed Affordable Housing Trust Fund as well as home ownership programs and cover the costs of developer incentives like System Development Charge waivers.

Additional Options to Fund the Affordable Housing Trust Fund: The strategies outlined above represent the most feasible and easily implemented in order to fund the City of Redmond Affordable Housing Trust Fund. However, there is a multitude of options available to the city that can be used to create a self-sustaining Trust Fund. While, some of these strategies may take initial funding or additional staff time to administer. We recommend that the city consider using any and all tactics available to them.

1. One Percent Insurance Premium Tax - Louisville, Kentucky

Louisville, Kentucky, has seen positive impact on the supply of affordable housing after the implementation of its Affordable Housing Trust. However, until recently, the Fund survived at the mercy of unpredictable, one-time funding allocations from the city’s General Fund. In an effort to create a more stable Trust, the city passed a one percent tax that is paid by residents and business owners on premiums for auto, homeowners, boat, and casualty insurance policies.⁷ It is estimated that

⁶ <https://olis.leg.state.or.us/liz/2016R1/Downloads/MeasureDocument/SB1533/Enrolled>

⁷ <https://louisvilleky.gov/government/housing-community-development/louisville-affordable-housing-trust-fund>

this measure has raised \$10.5 million annually for the city's Trust, to help individuals and families in need of housing.

2. Revolving Loan Program - Minneapolis, Minnesota

The Beltrami Neighborhood Council in Minneapolis, Minnesota, provides funding to residents in the form of small loans. These loans can be used for anything from down payment assistance to home repairs. The loans have below market rate interest rates, are capped at \$50,000, and applicants must have an income below 120% of the area median income.⁸ This program has been successful in leveraging continual additional investment in the neighborhood due to the revolving nature of the loans. Applicants repay the loan to the neighborhood council and the money received in interest is reinvested into the program to create even more loan opportunities.

3. Nonprofit Endorsements

There is the potential that a Trust is not viable in the City of Redmond, this may be due to many reasons including limited budget or interest. In this case, a non-profit organization may be the most appropriate manager of the Housing Trust Fund. If the city decides not to pursue the Fund, it should encourage local nonprofits such as Housing Works to take on the responsibility. This type of management has worked well in places throughout the country. However, the issue of sustaining funding remains an issue, and any Trust operating in Redmond should have financial support from the city.

⁸ <http://discoverbeltrami.org/programs/housing-loans/>

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